

Business Plan 2021-2030: 12.7 billion euros in investments will allow Iren to shape the future of territories and become the reference partner for communities

New growth strategy for Iren to establish itself as a reference partner for the communities in the necessary evolution of the next few years thanks to the high quality of the services offered. Decarbonisation, consumption electrification, circular economy and energy efficiency are the cornerstone of the business plan that forecasts growth in investments, amounting to 12.7 billion euros over 10 years, and in profit margins generated, with an expected EBITDA of 1.8 billion euros (+870 million compared to 2020).

Economic-financial highlights

- **EBITDA:** 1.8 billion euros by 2030 (+870 million compared to 2020) with a CAGR of 7% thanks to organic growth, consolidation and synergies
- **Total gross investment:** 12.7 billion euros
- **Net financial debt/EBITDA:** 2.5x by 2030
- **Group net profit:** approximately 500 million euros at 2030 (+270 million compared to 2020)
- **Dividend:** confirmation of dividend policy until 2025, followed by a pay-out ratio of 50-55%

Industrial highlights

- **Sustainable Investments:** 8.7 billion euros, equal to 80% of the organic investments in the Plan period
- **Organic growth:** equal to 600 million euros of EBITDA supported by all business areas and by investments in networks, aimed at maximising the quality and efficiency of services, in development of renewable generation sources and extension of district heating, in increase of waste treatment capacity, in development of the smart solutions business and in growth of retail customers
- **External growth:** 160 million euros of EBITDA deriving from the consolidation of companies already invested in, participation in tenders for gas and integrated water services, expansion into new areas in waste collection and net of the disposals of assets no longer considered core for Iren
- **Synergies:** 120 million euros of EBITDA, mainly related to Performance Improvement initiatives, net of emerging costs associated with the digitalisation process
- **Recruitment:** 7,000 workers expected to join the Group

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Reggio Emilia, 11 November 2021 - The Board of Directors of IREN S.p.A. today approved the business plan to 2030.

Renato Boero, Chairman of the Group, said: *"Iren's Strategic Plan to 2030, focused on growth in every business area, paying particular attention to the needs of our local areas, projects the latter towards a path of sustainable growth whose main driver is the quality of services. Iren acts as the preferred partner for citizens and public administrations to meet their needs and find advanced solutions. To this end, the Group expects to accelerate its external growth through M&A transactions, or the consolidation of companies already invested in. A total of 1.6 billion euros is also envisaged for projects related to innovation and 600 million euros related to the digitalisation of our businesses. Iren, in fact, will study the application of enabling technologies that favour the energy transition process".*

Gianni Vittorio Armani, Chief Executive Officer and General Manager of the Group, said: *"The strategic framework of the new business plan rests on three pillars: ecological transition, quality of service and territoriality. Thanks to 12.7 billion euros of investments, the Iren Group will be able to double its business reaching an expected EBITDA equal to 1.8 billion euros, thanks also to the 7,000 workers that will join the Group. Despite the decisive acceleration on the investment front, we are confident of maintaining a balanced financial structure that will allow us to offer an attractive dividend policy thanks to robust cash generation".*

STRATEGY

Iren's 10-year growth strategy is consistent with the main macro-trends in the sector, i.e. decarbonisation and the development of renewables, the circular economy, energy efficiency and the safeguarding of natural resources. Iren's ambition is to be the reference partner in the area, to establish itself as a leader in the ecological transition and to be the first choice of stakeholders for the highest levels of service quality offered. This ambition is based on three strategic pillars: the **ecological transition** with a progressive decarbonisation of all activities and the strengthening of leadership in the circular economy and the sustainable use of resources; **territoriality** with an extension of the perimeter in the legacy territories and the evolution as a reference partner for the communities by expanding the portfolio of services offered; **quality** through the improvement of performance and the maximisation of customer/citizen satisfaction levels.

This industrial strategy is strongly integrated with the **sustainability** strategy, which defines precise medium- and long-term targets. In particular, the latter is developed according to the guidelines of the ecological transition and the centrality of communities and people and structured according to 5 focus areas: decarbonisation, circular economy, water resources, resilient cities and people. The investments envisaged in the plan are aimed at obtaining ESG Science Based Target certification.

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INVESTMENT PLAN

The new industrial plan provides for a total amount of **investments** of **12.7 billion euros** with a doubling of average annual investments compared to the period 2015-2020, equally distributed over the plan's horizon.

More than 70% of cumulative investments are destined for **regulated or semi-regulated sectors**, in order to upgrade, modernise and digitalise network services, with particular focus on purification plants, to extend district heating and to improve the quality of the urban waste collection service with the aim of increasing the recovery of materials in own plants.

61%, equal to approximately 7.7 billion euros, is made up of **development investments**, intended to promote the Group's growth in size, mainly related to the development of renewables, selection and treatment plants, the extension of district heating networks and smart solution projects. Unlike previous business plans, **inorganic investments** were included, amounting to 14%, or 1.8 billion euros, and intended for the consolidation of investee companies, participation in gas tenders and completion of the ATOs in which Iren is incumbent. Finally, the remaining 25%, amounting to approximately 3.2 billion euros, is earmarked for **maintenance investments**.

From the point of view of **sustainability**, roughly 8.7 billion euros, about 80% (~70% for the European Taxonomy) of the total investments, are directed to projects that contribute to the achievement of the commitments made in the five focus areas identified, in particular to support the resilience of cities and decarbonisation projects.

ECONOMIC-FINANCIAL OBJECTIVES

		2020	2024	2026	2030	Cagr '30-'20
EBITDA	mln €	927	1,250	1,450	1,800	7%
<i>Networks (including TLR)</i>	<i>mln €</i>	<i>496</i>	<i>550</i>	<i>650</i>	<i>870</i>	<i>6%</i>
<i>Waste Management</i>	<i>mln €</i>	<i>173</i>	<i>290</i>	<i>350</i>	<i>430</i>	<i>10%</i>
<i>Energy (generation)</i>	<i>mln €</i>	<i>98</i>	<i>230</i>	<i>230</i>	<i>260</i>	<i>11%</i>
<i>Market</i>	<i>mln €</i>	<i>148</i>	<i>140</i>	<i>160</i>	<i>180</i>	<i>2%</i>
<i>Smart Solutions (Energy eff., e-mobility)</i>	<i>mln €</i>	<i>13</i>	<i>30</i>	<i>40</i>	<i>60</i>	<i>17%</i>
EBIT	mln €	415	560	660	950	9%
Group net profit	mln €	235	330	380	500	8%
Net financial position/EBITDA	x	3.2	3.3	3.1	2.5	-
Net financial position	bn €	2.9	4.2	4.5	4.5	-

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FINANCIAL STRUCTURE

Iren's commitment to a balanced capital structure aimed at maintaining the current Fitch rating of BBB is confirmed. Despite the significant investment plan, the financial profile is expected to be balanced in terms of NFP/Ebitda ratio which is expected to remain below 3.5x over the plan period. The financial requirements in the plan period are expected to remain constant with a slight increase in the last three years. These financing needs will be managed with the most suitable instruments to ensure an adequate diversification of sources and investors, favouring the use of sustainable finance instruments. The average cost of debt is expected to fall over the next 10 years, thanks to the favourable market rate scenario, sitting in a range of between 1.4% and 1.6%.

DIVIDEND POLICY

Despite the strong increase in investments, the dividend policy of the previous plan is confirmed with a dividend of €10c/share on net profit for 2021 (+5.3%) and a 10% annual growth rate until 2025. In the second part of the plan, the dividend per share will be 50/55% of the group's net profit.

FOCUS ON BUSINESS UNITS

The Business Plan envisages a substantial doubling of EBITDA to reach €1.8 billion in 2030. The significant growth in EBITDA is driven by the positive contribution of all business sectors. The greatest support for growth is provided by regulated and semi-regulated activities, in particular the integrated water service and the expansion of district heating, as well as the increase in waste treatment and recovery capacity, the development of renewables and the extension of energy efficiency services and energy customer base.

NETWORKS

The **investment** plan foresees more than 4.9 billion euros aimed at increasing the efficiency and quality of services with a strong growth in RAB reaching 4.8 billion euros in 2030. 50% of investments in networks are directed towards the **integrated water service** to strengthen and increase the resilience of the network, develop depuration plants, inorganic growth through the consolidation of minority interests and participation in water tenders in synergistic ATOs. A total of 18% of investments in the networks are allocated to **gas distribution**, in particular aimed at maintaining the current infrastructure, replacing old pipes with the latest generation ones and ready to receive hydrogen mixtures, and development in strategic areas through participation in tenders. A total of 17% of grid investments are earmarked for the **electricity distribution** in order to allow the evolution of the networks by adapting them to support higher capacities due to the electrification of consumption, continuously pursuing operational efficiency, necessary to provide the best service at affordable levels to citizens. Finally, 16% is earmarked for **district heating networks** for the extension of volumes and the development of thermal storage capacity with a focus on technological innovation to promote decarbonisation.

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The planned investments and synergies allow for an **EBITDA** of 870 million euros in 2030 (+370 million euros compared to 2020).

WASTE MANAGEMENT

The circular economy is confirmed as the guide of the environmental sector, which makes provision for an investment plan of over 2.5 billion euros. 66% of which is intended for the **development of supply chains** related to urban collection, including the expansion of treatment and recycling capacity also through partnerships for incoming flows and the development of 2 waste-to-energy and waste-to-chemical plants to fill the local infrastructure gap in the management of undifferentiated waste. The remaining 34% is dedicated to the **collection activities** for territorial development by expanding the pool of users served, by participating in tenders, and an improvement in the quality of service through the adoption of automated processes, digitalisation and electrification of fleets.

These **investments** enable **EBITDA** of 430 million euros to be achieved in 2030 (+260 million euros compared to 2020).

ENERGY (GENERATION)

This plan is characterised by the development of renewable sources, solar and wind, in accordance with the objective of decarbonisation of the generation plants aimed at achieving the ESG Science Based Target certification, the development of storage necessary to capture the various opportunities and the completion of the initiatives to increase the flexibility of cogeneration plants. Plans are also in place for divesting thermoelectric generating assets that are not functional for district heating.

In support of these projects, a total of 2.5 billion euros is planned for **investments** aimed at supporting the achievement of an end-of-plan **EBITDA** of 260 million euros (+160 million euros compared to 2020).

MARKET

Iren's commitment is aimed at increasing customer value, thanks to higher expected electricity consumption and to the further boost given by IrenPlus services, and at reducing the churn rate following the improvement of service quality, a rebalancing of the mix of acquisition channels in favour of pull channels and the development of energy communities. In 2030, the objective is to reach 2.6 million customers, with the main focus on electricity customers, also thanks to the complete liberalisation of the market subject to additional safeguards.

In support of this commitment, provision is made for 650 million euros of **investments** which will enable the achievement of an **EBITDA** of 180 million euros (up by 30 million euros compared to 2020).

SMART SOLUTIONS

Finally, 1.6 billion euros of **investments** are earmarked for the development of **smart solution** projects, including services related to the building energy efficiency, supported by a significant boost provided by tax incentives, which will make it possible to accelerate the acquisition of new public and private customers nationwide, thanks in part to the integration of the recently acquired Bosh Energy and the development of a comprehensive portfolio of services for local communities and businesses aimed at addressing their growing need for sustainability.

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Investments in e-mobility are aimed at obtaining a significant position in the sale of products and services related to private recharging and the installation of public and semi-public recharging stations, also supporting local administrations in creating the necessary infrastructure for the electrification of local public transport. In addition, Iren will offer its expertise to communities for the management of complex projects such as the renovation of public buildings, hydrogeological instability and specific urban initiatives. This approach will result in **EBITDA** of 60 million euros (up 50 million euros from 2020).

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